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BEFORE THE ARIZONA CORPORATION COMMISSION

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AUG 25 2016 2016 AUG 29 A 10:53

ARIZONA CORP COMMISSION
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Arizona Corporation Commission

DOCKETED

AUG 29 2016

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IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY FOR
THE ESTABLISHMENT OF JUST AND
REASONABLE RATES AND CHARGES
DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE OF
THE PROPERTIES OF TEP DEVOTED TO ITS
OPERATIONS THROUGHOUT THE STATE
OF AZ AND FOR RELATED APPROVALS.

DOCKET NO. E-01933A-15-0322

DOCKET NO. E-01933A-15-0239

SURREBUTTAL TESTIMONY OF
KEVIN KOCH

Q. Please state your name and business address.

A. My name is Kevin Koch. My business address is 612 N. 7th Ave, Tucson, Arizona, 85705.

Q. Did you submit Direct Testimony?

A. Yes.

Q. Are you aware of the motion to defer the Net Metering and rate design for partial requirements customers to a second phase to commence following completion of the Value of Solar docket?

A. Yes.

Q. Are there issues outside of Net Metering and the proposed transition to 3 part rates that you would like to address?

A. Yes. I am concerned that the current proposal to migrate commercial customers from the existing GS-10 rate to the MGS or LGS rates could cause harm to commercial customers who installed solar under the old rules. Many of these customers received incentives in exchange for RECs, and were implicitly encouraged by the commission to install these systems in order to assist in meeting the DG requirements under the terms of the REST. Migration to an MGS or LGS rate could result in many of these customers being 'underwater' with regards to their solar array. TFS has installed over a dozen systems on non-profit organizations under a lease option where the lease payment is less than the savings on the electric bill,

resulting in a net savings to the customer. If migrated to MGS or LGS rates, many of these customers would find that they would be paying significantly more for the lease plus electric bill than they were paying before they installed a solar system. I would urge the commission to allow existing solar customers to choose to remain on their existing rate or equivalent (SGS) at least until the expiration of their REC agreement, or for 20 years after their system was turned on.

Q. Are you aware of RUCO's RPS credit option which was adopted in the UNS rate case proceeding?

A. Yes.

Q. Do you have any comments regarding adoption of a similar option should RUCO propose it in this proceeding?

A. Yes. If the commission chooses to adopt a similar measure in TEP service territory, I would prefer to see a lower rate reflecting the significant security this option would provide a customer in terms of financial return. However, I would also like to see the ratchets reduced by the commission in relation to the condition of the market, rather than reduced on a schedule in an inevitable march beyond the reaches of cost effectiveness (from the point of view of the residential consumer). I would suggest \$0.95/kwh with no scheduled decline in the credit rate. Other rates should provide a better opportunity for savings if the rate is optimized, but might carry more risk.

Q. Several TEP witnesses claim in rebuttal testimony that tiered rates are not necessary to send a signal to consumers to conserve energy. Do you agree with their assessment?

A. No. While it is true that many customers are not aware of the details of their electric bills, many others are aware. And the consultants who advise on energy audits, energy efficiency upgrades, solar, etc. certainly use these signals to help customers understand the benefits of saving electricity.

I would also like to respond to Mr. Dukes' statements (Dukes' rebuttal page 9) that eliminating the tiered rate structures is not regressive. I will not argue with Mr. Dukes' conclusion, but I will say that it all depends on the scope or perspective. From a cost of service perspective, he is probably correct. However, from a broader societal perspective, the elimination of the higher tiers as well as the increased fixed monthly fee will have a disproportionate effect on people with less means. This is true even while the people of considerable means are paying a disproportionate amount for the utility infrastructure. I think it is in the long term interest of Arizonans to retain the existing policy decision that larger users pay for a larger share of the utility infrastructure, and that energy efficiency signals are valuable for Arizona's energy economy.

Q. Dr. Overcast states that the proposals made by rooftop solar advocates represent the worst type of rent-seeking whereby they seek to perpetuate their profitability at the expense of captive consumers and low income customers. Rent-seeking, he quotes, is defined as "the activity of a person or firm that tries to obtain benefits for themselves through the political arena." Could you comment on these statements?

A. I believe that Dr. Overcast fails to recognize two critical factors, which I hope would lead to his willingness to reconsider his characterization. The first is that the commission has a 10 year history at this point, if not longer, of supporting the subsidization of solar. The commission chose to subsidize solar because Commissioners felt that, on the whole, distributed and utility scale solar offered a variety of long term value, or potential value. These values may have included supporting technology innovation, providing a means of empowerment for individuals looking to support renewable energy, resource diversification, community resiliency, and many others. The commission has decided that, on the whole, it is beneficial to Arizona to encourage the development of this currently higher cost resource. Given that history of support, I do not think it qualifies as serving one's own interests to continue to present arguments on the benefits of and requirements for continuing the deployment of rooftop solar systems. Second, it may be difficult for Dr. Overcast to understand that there are businesses that are driven by mission, though I'm sure he can understand that there are advocates who may not share his opinions or expertise, but are still driven by altruism. While I cannot argue that policies that would preserve the opportunity to install customer owned solar in a cost effective way would not have a favorable impact on my business, that is simply not why I am intervening in this case. The entire reason my business exists is to support the increased adoption of renewable energy in Southern Arizona. I am committed to that cause because I genuinely believe that Arizona will be better in the future if we support renewables, both at the utility scale level and through rooftop solar systems. So I respectfully disagree with Dr. Overcast's characterization, and add that I do not think that it helps the commission to come to its conclusion by denouncing other party's arguments as being self-serving. (Just to be clear, I feel the same way about some of the accusations other parties have made toward TEP.)

Q. Does this conclude your testimony?

A. Yes.

RESPECTFULLY SUBMITTED this 25th day of August, 2016.



Kevin Koch

Original and thirteen (13) copies of the foregoing filed this 25th day of August, 2016 with:
Docket Control
Arizona Corporation Commission

Copy of the foregoing e-mailed this 25th day of August, 2016 to:

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